



What's *Really* Happening in the Real Estate Market

With Appraisal Expert Gerhardt Klann

November 2016

Edmonton

Time for the Seasonal Slide?

In most typical Canadian markets, we see a drop off in the # of sales in the fall and winter months, often resulting in incremental price decreases even in very stable markets. This can present a challenge to those trying to assess the health of the local real estate market. It's the time of year when you can almost guarantee the local newspapers will have articles with headlines reading how prices are down (from previous months). What they usually fail to analyze and discuss, is whether this drop off is typical or not.

As always, I advocate that the better way to look at the strength of the market, is to analyze sales from the same month over the past 5 years to try and adjust for "seasonal" changes in the

marketplace. Average and median prices are hovering in the same range for single family homes over the past 3 years, although down slightly (roughly 1%). A similar trend is seen in condominiums which appear to be down from peak pricing in 2014, but are actually up from 2015. Average days on market are reported at 61 days, which is higher than the 57 days reported in 2015 and 51 days in 2014.

These price trends appear also to be supported by the findings of National Bank which is reporting a year over year change of -0.9% using a "paired sales" approach rather than average/median prices.

To me the biggest concern continues to be the higher inventory, with 2016 showing the highest number of units over the past 5 years, coupled with demand

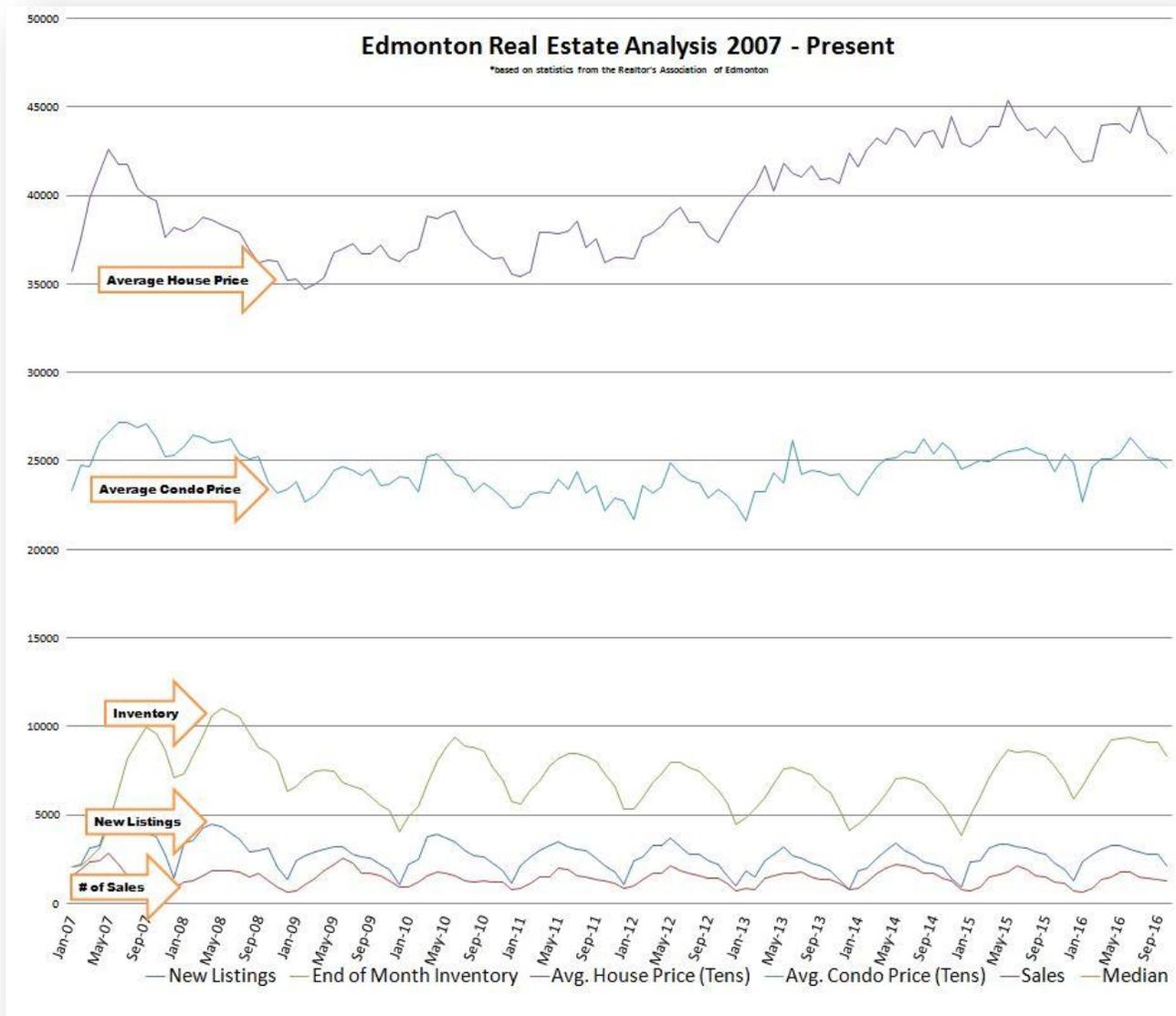
(sales) on the lower end of the range. Oddly enough, this has been the trend for close to 2 years now, with very little price adjustment as the market has continued to show surprising resiliency. Certain segments of the market have been hit harder than others. For example, Leduc and Beaumont have had significant price reductions in comparison with the rest of the region.

On the rental side of the market, we are seeing a dramatic rise in residential vacancies, coupled with some decreases in rents. My take is that some of this excess inventory of unsold homes is entering the rental pool. With net migration down, this is causing a glut in rentals meaning that landlords need to be aggressive in pricing to fill vacancies.

**Special thanks to the REALTORS® Association of Edmonton for statistics.*

Snapshot of the Past 5 years October Statistics for the Edmonton Real Estate Market

Edmonton	2016	2015	2014	2013	2012
House Avg. Price	\$423,755	\$431,324	\$426,071	\$395,972	\$388,905
Median Price	\$392,250	\$396,000	\$399,844	\$374,000	\$364,000
Condo Avg. Price	\$245,698	\$244,592	\$259,540	\$237,360	\$230,952
Median Price	\$230,000	\$226,649	\$240,000	\$221,750	\$217,000
Total Sales	1,265	1,284	1,502	1,419	1,259
Inventory (Month End)	8,281	7,724	5,574	6,275	6,406



"I have used Northern Lights Real Estate Consulting on a number of foreclosures and have always been impressed by the level of professionalism shown, the quick turnaround time and the accuracy of the appraisals."

Kevin C. - Lawyer, Partner

"Northern Lights Appraisals did an excellent job for us. We had a rush job and Gerhardt and Angel dropped everything to help ensure our clients' deadline was met. Their speed and professionalism was greatly appreciated."

**Dan Pultr - Vice President
The Mortgage Group**

"I regularly use Northern Lights Appraisals for our rental properties. His attention to detail, both on-site and in his office, gives me confidence in the accuracy of his appraisals. I highly recommend Gerhardt Klann to anyone needing a residential appraisal."

Catherine Brooker, Remax Real Estate Agent